Foreword

Transfers of ownership in private businesses are a highly topical and extraordinarily important issue in all European countries, affecting 700,000 companies and millions of jobs every year. The European Commission has analysed the conditions for business transfers in the Member States and has issued recommendations to each Member State as to what needs to be done to facilitate business transfers and safeguard jobs. In this respect, Sweden can be seen as a model country after the Social Democratic government and then the centre-right Alliance for Sweden government abolished Swedish inheritance, gift and wealth taxes.

Against this backdrop, it felt both logical and urgent to arrange a European conference in Sweden on transfers of ownership. We wanted to show how far research has come in the area, and the location made sense, as Sweden is an intriguing example of how policy decisions can facilitate business transfers.

Transfers of ownership involve many and varied questions, not least among them the emotional and family-related aspects when family members switch roles and new owners or new managers step into the company. It is particularly important that the transfer of ownership is dealt with in a timely manner so that the myriad issues can be skilfully handled within the ownership circle.

For Sweden, it is imperative that our lead over other countries in tax respects is not eliminated. Research shows that transfers of ownership are hard enough, and should not be further impeded by forcing the people involved to once again focus on the tax consequences.

We would like to express our sincere gratitude to everyone involved in the conference: speakers, participants and arrangers. All of the presentations and papers are available on the conference website at http://www.ownershiptransfer2010.org.


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Introduction

This is the final report from the conference Transfer of Ownership in Private Businesses: European Experiences. The international conference was held in Stockholm, Sweden, March 25-26, 2010 with over 130 participants. The report provides an overview of the richness and complexity of ownership transfer by summarising the numerous topics and issues that were discussed throughout the two conference days. The full conference program can be found in the appendix.

The purpose of the conference was to present the current state of knowledge about transfers of ownership as well as to show experiences from practice and from policymaking. In line with this purpose the aim of the various conference sessions was to address and evaluate the impact of various measures implemented in recent years for facilitating business transfers, including tax repeal, as well as to report on remaining difficulties such as financial/legal obstacles, but also relational and emotional challenges.

The conference was designed to facilitate dialogue and exchange of knowledge and experiences among researchers, entrepreneurs/owners, politicians, experts and advisors from various European countries. Representatives of these categories from 19 countries participated in the conference.

The conference was organised by the Confederation of Swedish Enterprise, the Centre for Family Enterprise and Ownership at Jönköping International Business School, PriceWaterhouse Coopers and the law firm Gärde Wesslau.

The aim of this report is to give a comprehensive summary of the presentations and research papers presented at the conference, without reporting the details of the various sessions. Instead, the report follows a thematic structure, that mirrors the most important conference topics. In the next section the two main concepts of the conference are introduced: ownership and ownership transfers. This is followed by a discussion of tax and law issues related to transfers of ownership in different European countries. Thereafter follows a presentation of likewise important aspects such as personal (eg. relational and emotional), organisational and educational issues of business transfers. The second to last section of the report addresses consequences of ownership transfers for the business firm, such as growth and financial implications. Finally, the overall learning from the conference is summarised, along with a discussion of remaining questions and future actions to further facilitate business transfers.
A burning and important subject

All over Europe ownership transfers in private businesses are a burning and important subject. A huge number of private business owners are approaching retirement age and unless these businesses are successfully transferred they will be badly prepared for future challenges, where hundreds of thousands of jobs might be at stake.

This report discusses some of the important issues that make up the agenda for ownership transfer processes. To start with the report elaborates on two very central concepts: ownership and ownership (or business) transfers. What does “privately owned business” refer to and what is special about them? What does ownership mean? What is ownership transfer all about – and why is it so challenging?

Private ownership – owner managed and family owned firms

Private ownership is the dominating ownership form all over the world, with over 90% of all businesses being privately held. Among these, the family business is the most common form of business worldwide. Although definitions on what constitutes a family firm differ, most of them agree that a family business is a business in which one family owns a majority of the voting shares, and this family is represented in the strategic management of the company (board and/or executive team). Some definitions also add another dimension, meaning that the family should also perceive the business as being a family businesses. The family business is part of a larger category of businesses that is referred to as owner managed businesses. These are privately held businesses where the (majority) owner is also MD. In addition to family businesses this category also includes businesses with a sole owner (with no family members involved in the business) as well as businesses owned and managed by partners who are not part of the same family.

A few examples provide an overview of the influence of family firms on the world economy. Family firms represent 50-90% of the GDP in all free economies. In the US, family firms generate 60% of all private-sector employment. In Austria, Germany and Belgium, 60-65% of all listed companies are under majority control, with families representing the voting blocks. In Finland over 30% of the big 500 corporations are family firms and in Chile, 15 family groups represent over 50% of the market value of the stock exchange. Meanwhile, in most countries about 70-80% of all SMEs are family owned businesses.
Over the years research, and public discourse, have painted two rather dichotomous pictures of the family firm. On the one hand, the family firm has been depicted as inherently problematic and unsuccessful, with built-in problems such as messy governance structures (overlapping roles), nepotism, family conflicts, resistance to change, financial constraints and succession dramas that threaten to undermine the whole company. On the other hand, family firms have been assigned inherent advantages, based on family related resources, leading them to survive longer than their non-family counterparts, and to have relatively higher profit margins, more stable earnings and higher returns on sales.

Going beyond these rather dichotomous pictures, there are certain features that have been found to generally, characterise privately owned family businesses. Understanding these features means understanding why and how these businesses distinguish themselves from large enterprises with diversified ownership, listed on the stock exchange. Taken together these features also express a special family ownership logic, the essence of which will be further outlined below.

Characteristics of owner-managed and family owned businesses

Owner managed firms are characterised by ownership being concentrated to one or a few individuals, who are also active in the strategic management of the business.

The owners are visible within the company and it is not unusual for them to have close, personal relationships with employees, customers and suppliers. Typically, owner managed firms are driven by multiple goals. Parallel to financial goals are often social goals, such as commitment towards and responsibility for employees and the local community. A further characteristic of privately held businesses is stability in ownership and management. Often the business is kept within the same circle of owners for a considerable length of time – often extending over several generations. In addition, in privately owned firms the MD stays over extensive periods of time. The continuity of ownership and management also means that owners and managers of privately owned businesses identify with the business. To exit the business implies, therefore, a challenge to the owner’s/manager’s identity. For many, transferring the business and losing contact with the business means losing a part of themselves.

A further implication of the stability of ownership and management is strategic continuity. Over time owner-managers tend to develop a stable way of thinking concerning the appropriate way of doing business, including long-term goals and visions. The stability
and continuity of ownership and management also mean that privately owned businesses tend to have strong cultures. When ownership and management over the years reside within one family this family’s values, norms and ways of thinking often get sedimented in the company as something “natural”. When there is low employee turnover – which is often the case in companies located in rural communities – this further increases the strengths of the culture as it is rather well protected from challenging views by “outsiders”.

Owner managed and family owned companies are further characterised by the integration of roles, in the sense that the same person is often both owner and MD. This tends to imply a fast and intuitive decision making style. When management and ownership are fully intertwined no one’s opinion need to be asked and decisions can be made fast and informally. This decision making style is reinforced when – which is often the case – the business lacks a professional board. And in cases where privately held businesses do have boards, they often have an advisory, rather than an executive role.

These characteristics combined add up to an ownership logic that distinguishes owner managed and family owned firms from firms with other types of ownership.

Ownership and ownership transfer

Ownership is often discussed as a legal and financial phenomenon. But in addition to these dimensions there are other notions of ownership. Two important notions that are garnering increasing attention from researchers are psychological and social ownership.

As a financial and legal phenomenon ownership refers to tradable rights to own and control an object. In the legal sense, ownership is based on contracts securing the rights to shares. As a financial phenomenon it represents accumulated capital, or wealth.

Psychological ownership is about a state of mind, feelings, and attitudes. Its core is the emotional bonding to an object, i.e. the feeling of a target being “mine”. Psychological ownership also evokes responsibility towards the thing owned, irrespective of legal ownership. Social ownership emphasises the social, interactive and symbolic dimensions of ownership. As individuals interact they ascribe meanings to things, issues, people and situations. Social ownership emphasises the way the owner sees him/herself as an owner. It also highlights ownership as something that is ascribed to someone by others in the social network and in the community. Hence, no matter whether a member of a business family is a legal owner or
not, he or she might be ascribed ownership solely by his/her family membership.

Transfer of ownership is crucial for the survival and development of private businesses. Transfers tend to be demanding processes. Numerous studies and real life cases have stressed the challenging nature of ownership transfers. Although every transfer is different, there are a number of issues and aspects that unify all transfer processes. An understanding of these issues and aspects is crucial for the ability to wisely manage processes of business transfers.

It is vital to understand that business transfers are not single events, but rather complex, multifaceted processes, normally extending over rather long time periods - often 5-15 years. Discussions and deliberations begin long before the formal takeover and the implementation extends for a long period thereafter. In addition many different dimensions – legal, financial, human and organisational – have to be taken into account for a transfer to be successful.

For a more thorough overview of the transfer process, it has below been divided into four phases. Before discussing these phases it is important to point out that the division of the transfer process into phases is not to suggest that the process is linear. Often there is an iterative process, a moving between the phases several times before a transfer is completed. In addition the phases are overlapping; it is impossible to distinguish clear beginnings and endings. The advantage of this 4-phase model of business transfer is to offer a means to, in a relatively structured way, deal with and manage the complexity of the transfer. In addition, the division in phases enables a clearer view of the many different aspects of transfers, including the human dimensions that tend to be difficult to trace, but that even so exert a huge influence on transfer processes.

Phase I: Bring the question up and start making preparations
Phase I is about business owners’ awareness of the fact that they need to start dealing with the issues of business transfer – and that there are advantages to not continually postponing this issue. Even thought there is much to be gained from starting the transfer process in good time, it is common that preparatory work is put off into the future. From the owner’s point of view there seems to be a lot of reasons for not starting “right now” (“I am only 55”, “it is such fun”, “I have my hands full”, “the company needs my expertise”…). But a responsible owner needs to be honest with him/herself and consider whether the reasons for not starting the process are merely excuses for avoiding the question. Who benefits from the postponing the matter? The owner(s)? The business? The
potential successors? Or perhaps no one? In most cases there is a lot to gain by not avoiding the issue and starting the transfer process early.

There are also potential risks in putting the transfer off. One such risk is that a younger generation that might be interested in taking over the business gets fed up with waiting and finds other challenges. Another risk is that the company may stagnate and become less competitive and thereby less attractive to take over when the owner is no longer capable or motivated to run the company. A further risk is that transferring the business suddenly becomes necessitated by exigent circumstances, such as the owner’s illness or death. The transfer then has to take place rapidly, often without any preparations.

**Phase II: Acquire knowledge about and consider different transfer solutions**

There are many ways to transfer a business. Every solution should be based on joint discussions and decisions among the present and future owners and their families. It is therefore important to be aware of different solutions in order to reflect on different possible options and make a considered choice. Increased knowledge improves the possibilities of being able to foresee different consequences – positive and negative – that the respective solutions bring with them. By systematically imagining different alternatives, there is an increased likelihood that the final decision will be one that all parties involved can accept and agree on. This in turn, is crucial for the successful implementation of the transfer.

It is helpful to approach different transfer options by structuring them into different main areas and questions to consider. One main question is to whom the company should be transferred. Here there are three main alternatives: within the family, to employees, or to someone external to the company (for instance another entrepreneur, another company in the industry, or an investment company). Another main question is how much to transfer. Especially when a business is transferred within the family the transfer is often a gradual process, in which part of the shares are transferred to next generation while the present owner retains some shares to keep some control over the business. A third important question to consider is what the main owner – and in most cases also the MD – will do after the transfer. An initial point is whether he or she will stay in the business or leave it. Even if the owner manager leaves all the operational duties it is common that he/she continues to exercise influence as owner through other channels, such as the board. Should the former owner manager decide to stay
in a new role in the company it is vital that he/she is clear about the new role to be assumed. By systematically working through various options the owner (owning family) will eventually have an overall analysis of a number of solutions for the business transfer and can weigh these against each other. Some of these solutions could probably be abandoned at once, while others are important to clarify in more detail.

*Phase III: Select business transfer solution*

Transferring a business entails a number of decisions about which route to take. Knowledge is a prerequisite for making informed choices. Another compass for decision making is to be aware of the values and goals that are underpinning the business. It is vital to be clear about these goals before the business is transferred. If for instance, the company is a central part of the owners’ identity, or a family heritage, the transfer will not have only legal and financial consequences, but also substantial personal and emotional ones.

Before choosing a transfer solution it is also important to have an open communication with co-owners and family. A business transfer often has a long term impact on relationships within the ownership consortium and the family. It is therefore vital that enough time is set aside to discuss different issues.

Arriving at transfer solutions that all can agree on requires everyone to be clear about what they want, take a position and express their wishes – regardless of what others think. For this to be possible it is crucial to listen to everyone’s opinions, thoughts, fears and wishes – and to respect these even when they do not concur with one’s own. It is only when these requirements are met that it is possible to find solutions that all can accept and agree with.

As it can be difficult to talk about some of the aspects involved in business transfers – such as money, feelings and changed relationships – it can be a good thing to bring in a third party who everyone trusts. Such a neutral individual can contribute to openness and thereby counteract preconceived opinions and misunderstandings. A fundamental condition for such a facilitator is that he/she has solid knowledge about and experience of the field and is able to ask questions and offer new angles or approaches, so that the individuals involved in the transfer process are forced to reflect before deciding on any solution. At the same time the facilitator, or any other advisor, must get to know the owners and the company so as to give advice based on the specific circumstances and prerequisites of that very company and owning family.
Phase IV: Implement the selected solution

Implementing the business transfer means that the specific issues that the chosen solutions entail are resolved. Hence, implementation of a business transfer implies changes both in the company and in the group of owners (the family).

A business transfer can mean that the number of co-owners increases. For someone who prior to the transfer had been the sole owner and MD, this entails a new situation. Now the company has to be run in association with others. In turn this requires new arenas and channels where influence and control can be exercised. One such important arena is the board. It is most often an advantage to have an active board during the transfer of the business. This is particularly true if there is an increase in the number of owners and a formalized arena for decision-making is needed, where long-term strategic issues can be discussed and decided.

With several owners there is a need for a fundamental unity of perspectives and goals among them. A business transfer is, if not before, a suitable time to establish an ownership policy. A policy should comprise the owners’ wishes, expressed as guidelines regarding the fundamental values on which the owners want to base the company, how business operations are to be conducted, financial targets, responsibilities and authority as owners, as well as guidelines for dividends, owners representation on the board and policies for the forthcoming business transfer. The ownership policy communicates the owners’ wishes and thereby clarifies the rules of the game for future owners, external board members and externally recruited managers. The ownership policy is also important for avoiding or handling conflicts within the consortium of owners.

A business transfer often entails changes in the management organisation, especially if it is accompanied by a change of MD. New people might be needed in certain positions. New positions might have to be established. To enable the business transfer to be implemented satisfactorily, it is important that the new roles are clearly defined. This is especially the case with the new role assigned to a person who is leaving a central role in the company. As mentioned, the role that seems to be especially challenging to leave is the role as MD (in owner managed firms occupied by the main owner). Often, it is not until this change takes place that the true challenges begin. It is one thing to prepare oneself mentally and to sign the contract. Living one’s everyday life accordingly and ceasing to act as owner manager is another thing. Yet, the implementation of the transfer is only complete once everyone has settled down and are functioning in their new roles.
As shown in the discussion above, ownership transfer is a potentially very complex and dynamic process. It includes finding solutions to legal, financial and tax issues and various financial transactions. But, and no less importantly, business transfers also have a human side, as the transfer process leads to values being questioned and reviewed, relationships being strengthened and/or weakened, roles and identities being challenged and transformed (among which are the founders’ so-called “letting-go” problem), and emotions being oppressed and/or brought to the surface.
Tax and law issues related to transfer of ownership in different European countries

Transfer of a family owned firm triggers a series of financial constraints, which may endanger the viability of the business. Tax systems are often set up to counteract wealth accumulation and may as a result put financial pressure on family firms, which can threaten their capital base. Transfer processes may require funds to buy the shares of heirs unwilling or unable to be involved in the business. A transfer of ownership of a firm generally requires more financial resources than a start-up since not only the material and financial assets have to be paid for but also the relationships with clients, suppliers, trade reputation, expectations of future returns, etc. In this context, the regulation of tax issues is central to successful business transfers.
Ownership transfer: Critical tax issues

Tax issues have been on the business transfer agenda of the European Commission for several years. In a report from 1994 as well as in the more recent 2006 report, the Member States are urged to take measures to facilitate transfers by better tax regulations.

The perhaps most visible tax on transfer of ownership is the inheritance tax. Since 2006 there has been a trend for lower inheritance tax in Europe. By 2009 the tax was abolished in Austria, Cyprus, Estonia, Latvia, Slovakia, Spain and Sweden. In addition most EU members states have abolished the wealth tax, with France the only exception. Outside the EU, Norway and Switzerland still have a wealth tax.

Apart from the inheritance tax, payment of the gift tax represents the biggest challenge to transfer of businesses within the family. Since the 1994 report, a number of countries have reformed gift taxes to facilitate transfers within the family. Better tax regulations have positive effects besides making it financially viable to transfer a business. Improved tax regulations release businesses from administrative burdens and increase the possibilities to prepare businesses for successful transfers. Better tax regulations for transfer of businesses, hence, offer a great potential for growth and jobs.

When it comes to improvements of other taxes on entrepreneurship and ownership, the situation varies among different EU-countries. When it comes to taxes that affect the transfer to third parties, i.e. personal income tax, corporation tax and capital gains tax only a few countries appear to have followed the 1994 recommendation.

A number of countries also provide for special income tax relief in cases where the proceeds of a sale are reinvested in another business. Some countries also have some special tax relief for retirement. Often these are subject to special conditions, such as minimum age of the seller.


2 Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions, implementing the Lisbon Community Program for Growth and Jobs Transfer of Businesses – Continuity through a new beginning, Brussels 14.03.2006 COM (2006) 117 final.
The table below shows an overview of tax initiatives to support transfer of ownership in private businesses within EU countries.

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Effects of the abolition of inheritance and wealth tax – the case of Sweden

Before its abolition the inheritance tax was a double burden on family business owners in Sweden – who often had all their assets tied up in the business – because it forced them to withdraw taxed capital from the enterprise to pay inheritance tax. Many entrepreneurs agonised about how their business would survive the coming succession of ownership to the next generation and the associated taxation. The taxes compelled many entrepreneurs to implement complex business structures to provide for the survival of the business. The business often suffered, as owners had no choice but to think about, discuss and plan tax-related matters, which demanded a great deal of time and energy. Sometimes there was a direct impact on the direction of the business. It is no wonder that Swedish business owners greeted the decision to abolish the inheritance and gift taxes with tremendous relief.

Studies of the effects of the abolition of the taxes show that it has simplified matters considerably for businesses. One positive impact is that the absence of need for tax planning has helped shift concentration to business-oriented decisions and provided greater scope for finding better solutions for the business and the owners. In addition, the abolition of the wealth tax has left more capital in the hands of the businesses and entrepreneurs and regulatory simplifications have cut costs. Business owners have been able to concentrate on making business-oriented decisions without the disruption and distortions of tax-related side-effects. Furthermore, the abolition of these taxes has also helped families to devote more time to other important transfer issues, such as roles and relations. Some findings from a recent study of the effects of the abolition of these taxes in five Swedish cases of transfer processes:

- The abolition of gift, inheritance and wealth taxes motivates family businesses to work more actively and purposefully with their transfer.
- This situation is particularly so in the cases in which companies had already started discussing ownership succession before the taxes were abolished.
- The abolition of taxes stimulates families to go through an ownership transfer, partly because they can increase their wealth with significantly less tax consequences.
- Ownership transfer through gifts is used when children demonstrate commitment and skills that the parents hope for. Gifts may be used as a type of reward in situations when children work for a period as managers, are recognized by the employees or when they improve the company’s products/processes.
But not all families use gifts when transferring the business to the next generation. Some families conduct a company valuation in order to determine a price for the firm. For the next generation the current owners often determine a fair non-market price for their company. This non-market price is used to establish the compensation to the current owners and non-active next generation members.

The study also shows how the older generation motivates the younger generation to become owners. Children need to see opportunities for career development that are connected to their areas of interest and specialization and they need to identify with and feel proud of the family and the family business. The abolition of the taxes results in efforts to focus on other important issues for a successful transfer. Ownership transfer is gradual and results most often in a combination of senior and next generation owners who jointly renew the corporate strategy. The five cases also show that lack of specialized knowledge on ownership transfer is a reason why this process is delayed or carried out in an unsuccessful manner.

During the conference, speakers from various countries compared the Swedish tax situation with respect to ownership transfer to that of their own countries. Speakers from Germany, France, Norway, the UK and the USA stressed the problems raised by the inheritance tax in their respective countries. In the US, taxes favour non-family businesses. In the long term more businesses will be owned by investment companies in countries with inheritance taxes. Many German business owners are moving themselves and their businesses to Austria, which has abolished the inheritance tax. In Norway taxes on wealth and inheritance lead to (over)investment in real estate, which is tax favoured.

**Ownership transfer: Law issues in different European countries**

During the conference a panel of lawyers from different European countries discussed business transfers from a legal perspective. For the lawyer, the desirable situation would be to get the opportunity to participate in the transfer process from the beginning, i.e. to be involved in the process when the question of a possible transfer of ownership is brought up and the initial preparations are made. But lawyers are rarely invited into the transfer process during the first start up phase. It is more common that they are involved as consultants at a later stage when many of the transfer activities are underway. That is seen as a limitation and may complicate the transfer process. The earlier the legal aspects of conducting a transfer are
considered and the earlier the lawyer is involved in the process, the smoother and more cost-effectively the transfer process will be.

The panel also concluded that the legal company form has an impact on the transfer process. It makes a difference whether the company has unlimited liability or if it is a company with limited liability of the shares. It was the general opinion that a transfer of ownership is much easier to get through in a company with limited liability. Furthermore it is essential to have a shareholder’s agreement in place prior to the transfer. This is especially the case if there are few shareholders. Without the guidance of a shareholder’s agreement, only general national law protects a transfer of shares. Such legislation is not uniform in Europe although many of the main legal principles of companies are of universal nature. However, a shareholder’s agreement contains principles, which are familiar to the business law society of Europe. It could therefore be argued that having a shareholder’s agreement in place before a transfer of ownership of a business is considered facilitates not only the decision-making process but also the transaction as such.

As to taxes such as the inheritance tax, the gift tax, the wealth tax, the re-investment tax and retirement tax relief, in Europe only Austria and Sweden have abolished almost all of the categories mentioned while other European countries have not. The panel confirmed that tax issues do have strong impact on the legal considerations in a transfer situation, meaning that transfer activities are tax driven instead of being more related to pure business interests or needs for family succession.

Lawyers normally say that good agreements are those that are respected, observed and performed by the parties because they deem them reasonable. This is even more true as far as business transfers of family business are concerned. It is crucial to be well acquainted with the family members, their individual wishes, aspirations and concerns, and their relationships with each other. The panel underlined the importance of preparing not only the technical law and tax issues, but also anticipating and preparing the softer problems and foreseeing the future based on family and business considerations. In this context the ‘family protocol’ was emphasised. This protocol contains issues about how the family participates in the family business, the policy for distribution of dividends, and how family membership on the board of the family business is dealt with. The importance of setting rules and clear guidelines for family members when joining the company as employees was stressed. This includes the need for rules and guidelines when deciding access for family members to the family company’s top management.
This is an important area for lawyers to consider when dealing with the family protocol.

Another issue that needs attention from a legal perspective is the necessity to define duties and rights of the owners of the family business versus the role of management. It is important to establish a good relationship of cooperation between these entities, not only to avoid conflicts but to support efficient management of the company that can develop the family business. Owners that do not participate in management may be tempted to sell their interest in the company. Making the family business an attractive asset is the way to preserve the family business, rather than making contractual restrictions/limitations. Those members of the family who are involved in management of the family business should not take advantage of their position beyond what would be granted to independent/unrelated managers in the same position. Transparency is therefore crucial. A family office, an attractive distribution of dividends and giving access to the family board to those members who do not participate in management are examples of ways to keep the interests of the family under control. In the presence of such control all decisions related to a transfer consideration will be easier to take.

A final observation from the panel of experienced lawyers from various European countries related to the issue of transfer of ownership was that tax and law issues are, and should be, closely related to other considerations of business and family as a part of the concept of family business.
Relational, organisational and educational aspects of ownership transfers

Obviously law and tax regulations are very important to successful transfers. Yet, even if these obstacles were totally abolished, many challenges would still remain. Some of the most crucial ones are discussed below. For the sake of clarity, the discussion is divided into three sub-sections. The first of these deals with the interpersonal challenges and implications of business transfer. The second draws attention to the organisational changes needed to support ownership transfer. Finally, the third sub-section discusses competence development for the incoming owners and managers.

Interpersonal challenges of ownership transfer

Beyond planning: Family relations as a key to successful transfers

Perhaps the most advocated ingredient for successful business transfers is planning. Numerous books and articles have been written on the need for serious planning of business transfers. Also the 1994 report from the European Commission raised the issue of planning, as it encouraged the Member States to increase awareness, information and training in order to ensure timely preparation.

Research does not, however, give much support to the idea of formal planning being of crucial value to successful transfers. Instead, other dimensions are frequently put forward as more essential. One of these is the quality of the relationships in the owning family. One reason for the special nature of owner-managed firms is that they tend to be closely intertwined with the family of the owners. For better and for worse, family relationships influence the business (and vice versa). To be a family means to belong to a social group bound together by a special form of relationship, referred to as genuine relations. Genuine relations involve individuals that are particular to each other; in themselves, the relationships are unique, and the interacting individuals are not easily replaceable. In addition, interactions based on genuine relations tend to be both frequently reoccurring and durable. Further, these relations are emotional, and they seek the establishment, or preservation of confidence and trust. Inter-actions based on genuine relations are built on reciprocity, through which genuinely related individuals benefit from the interactions as part of a well-defined group.
Genuine relations have several built-in advantages: belonging, identity, confidence and trust. The family is often used to denote something positive, harmonious, loving and caring. Research has suggested how these ingredients might be to the advantage not only to the individual family members, but also to the business they own and manage, for instance leading to business development and strategic renewal. In line with this the concept of “familiness”, presupposing genuine relations, has been advocated as a potential source of competitive advantage for family firms.

Genuine relations do, however, come with also a potentially dark side. It has been argued that especially close relations tend to lead to (among other things) jealousy and envy, misunderstandings and conflict. It has also been argued that families have more conflicts than other social groups.

Individuals get jealous when they fear losing a relationship they already have (a loved one, a friend or a family member), or the exclusiveness of that relationship. Emotionally, jealousy is likely to evoke feelings such as suspiciousness, rejection, hostility, fear of loss and hurt. In contrast, envy is a result of someone wanting to have something desirable that they do not already possess. The desired thing could range from immaterial things such as status, relationships, talents and skills, to material things such as cars or clothes. Envy presupposes a relationship, as it is an outcome of comparing one’s own situation with someone else’s. The envious person is likely to feel inferior to the person possessing that which is desired. The envy is also likely to evoke feelings of inferiority, dissatisfaction, self-criticism, but potentially also motivation to improve.

One might perhaps think that envy would be less common in very close relationships, like that of the family. But because we tend to compare ourselves most critically with the people closest to us, the family is a context where the likelihood of envy is relatively high.

In addition to jealousy and envy, it has been argued that misunderstandings are also more common in close relationships, such as the family. To a certain degree the closeness of a relationship, like that of the family, increases understanding since the relationship brings with it shared knowledge, background and vocabulary. On the contrary, close relationships could however also be the very cause of misunderstandings. Since individuals know each other so well, they assume they already know what other family members are going to say or what they mean. Further, since understanding is one of the features often anticipated in family relations, family members are likely to be less aware of the risk of misunderstanding each other than might members of other social groups.
As will be further discussed, business transfers are processes that challenge and potentially also change relationships as roles are changed, established business recipes are questioned and emotions are brought to the surface. In privately owned family businesses a transfer takes place in the context of close, family relationships. In family businesses where the positive implications of the close relationships dominate, the transfer process would be expected to go relatively smoothly. Research has shown that an encouraging family climate that makes future generations willing to enter and develop the company is vital for successful transfers. In business families where, on the other hand, the dark sides of family relationships prevail, even the best of plans will probably fail. Sensibility to family relationships is, hence, a key to successfully carried out business transfers.

Ownership transfer implies role transitions and challenged identities
Transfer of ownership and leadership/(MD) implies role transitions. The transition of ownership and leadership sometimes occur simultaneously, for instance when the company is sold and the owner leaves the firm. But in many cases, a new MD takes over beforehand, as part of an imminent transfer of ownership/generational change. In these cases the entrepreneur is faced with the challenge of exiting the role of MD and beginning to more actively exercise the role as owner.

This is a major transition for an entrepreneur. Business owners tend to identify with the role of MD and become “one with the company”. Taking off the “managing director hat” therefore implies an identity crisis: “If I am no longer the MD – then who am I”? Thus, a change of managing director in an owner managed firm is a mental and emotional process – and it needs to be taken seriously and to be well prepared. For the transition to succeed, owner managers must have a new and clearly defined role that fills their hours and expresses their dedication. A successful transfer presupposes that the entrepreneur leaving the position as MD knows which roles will replace the ingrained role as MD. It is important that these new roles are meaningful and stimulating in the long term, so that they really become an adequate replacement for the MD role. If the entrepreneur does not have such a role, the transition may fail. The new MD is given no room to manoeuvre because the old boss cannot let go. And suddenly the firm has “two MDs” who are both laying claim to the position.

When an owner manager leaves the position as MD but stays as owner, it implies changes in the execution of the ownership role.
The business owner must begin to more clearly exercise his or her ownership as part of the overall governance of the firm. But what, exactly, does a non-executive owner do? Often, owners who are also MDs spend most of their time performing the managerial role. The role as owner is somewhat more vague and not anything that the entrepreneur really spends much time thinking about. When the management position is transferred to another person, the ownership role becomes more urgent and must be filled with content that differentiates ownership from management.

When these role transitions are managed well, the changes set the stage for both personal and business development. Carefully defined roles are also a prerequisite for well functioning governance arenas. Skilful role transitions are thus an important key to successful transfers of ownership, especially if the transfer takes place within the owner family.

At the conference, the difficulties of role transitions were underlined by representatives of Indiska Magasinet AB, a Swedish family owned (2nd and 3rd generation) business.

Christina Baines (daughter of the founder, co-owner, and vice chairman of the board) and her daughter and present MD of Indiska, Sofie Gunolf, shared with the audience their experiences from the transfers from first to second generation, and also the more recent (and not fully completed) succession from second to third generation. In 2006, Sofie took over as MD after her uncle. From their differing perspectives on exit and entry, Christina and Sofie told about what they had found to be the most difficult challenges and how they had overcome them. They stressed the emotional challenges of exiting and entering roles in a family owned company. Close family relationships are a double edged sword, in the sense that such relationships on the one hand facilitate transitions, but on the other hand make them much more complicated. Contrary to what one might expect, close relationships might make open discussions more difficult. When it comes to family we tend to be rather protective – not wanting to hurt the feelings of our loved ones. This is why role transitions need to be carefully communicated, especially in inter-generational ownership and leadership transfers.

The emotional nature of ownership transfers
Business transfers tend to be very emotional – as they potentially challenge core values, company/family history, relationships and identities. Even so, emotions tend to be overlooked in the discussion on business transfers. When they are brought up, it is often
as rather superficial statements about transfers being emotional. In-depth discussion of how and why emotions influence transfer processes are rare. One reason for this might be that emotions are elusive and hence difficult to talk about. In addition, they are often tacit in the sense that we might not even be aware of how emotions influence thoughts and actions. But emotions exert a pervasive influence in transfer situations.

A non-emotional business transfer is probably impossible. It is therefore vital to acknowledge both one’s own and others’ emotions and to create an environment where it is possible to show and talk about emotions. Emotions carry information and can act as driving forces in transfer processes. But they can also be a cause of the transfer process getting stuck as individuals act from emotions that are not expressed (and hence not possible to deal with).

Transfers are emotional processes partly because of the close ties between the entrepreneur and his/her business. Because of this strong bonding, research has suggested that it is relevant to talk about emotional ownership (EO). In the family business context, EO is defined as a strong bond, or link between an individual family member and the business. EO is independent of financial ownership. Often it is the founder who is in focus when close bonds with a business are discussed. But EO can also exist in subsequent generations, in which case it manifests itself through a next generation member’s identification with and attachment to the family business.

The strengths of EO are linked to the family climate. Families who are adaptable and practice open communication are better positioned to stimulate EO in the junior generation. EO is fostered by families who engage the next generation in the business, through personal communication and work experience where the children are invited to play active roles in the company. Further, expectations on the next generation to join the business are positively related to EO, where research shows that a next generation family member who is expected to join shows higher EO than a family member without such expectations. There is also a gender aspect to EO. Companies with a selection bias for males show lower levels of EO. Where there is no such bias EO seems to be higher. This suggests that family firms who want to foster EO would be more likely to succeed if they use equal procedures in terms of succession. Finally, education and outside experience are also positively related to EO.

Conference program:
Track: Next generation and ownership transfer: Social and psychological space for the next generation
Âsa Björnberg, Ph.D Candidate, London School of Economics, UK
Emotional ownership: The next generation’s relationship with the family firm
Annalisa Sentuti, Ph.D, University of Urbino, Italy
Gender in the next generation: Does it matter? Some Italian empirical evidence on daughters’ pathways in family firms.
Sofia Wällberg Sköld, Chair, Hagmans, Sweden
My way into the family business
Ethel Brundin, Professor, Jönköping International Business School, Sweden
Concluding comments
Gender biases in leadership transfers

In recent years, the interest in the issue of gender in business transfers has risen. The overall picture is that the norm still indicates that a business leader is a man. In practice, this shows up in business transfers in the sense that sons frequently get chosen over daughters as successor. This seems especially to be the case with succession to the role of MD. The structural obstacles for women to become main owners and leaders in their family firms are attitudes and values signalling that daughters are not interested, or suitable for such roles, and therefore they are not considered by the older generation. The situation is slowly becoming better for women but surprisingly strong obstacles still prevail.

Recent research suggests five main pathways, or routes and roles, utilised by daughters in relation to the position as MD in their family firms. These five pathways are leader by choice, co-leaders, outcasts, professionals and leaders because they have to. The conceptualisation of these pathways is helpful in order to understand some of the mechanisms that lead to the prevalence of sons as successors to business leadership positions in family firms.

The first pathway, leader by choice, is composed of daughters who become undisputed successors of the family company. Generally, this is the case in families with only female offspring. The second pathway is composed of the co-leaders, daughters who informally share leadership with their brothers. While the brother is the formal successor to the role as MD, the sister has a more assisting, administrative role in the business. The third pathway, outcasts are daughters who have tried to lead the family firm, but failed to do so since their fathers did not believe in a daughter’s capacity to run a business. Professionals, the fourth pathway, are daughters who have chosen not to take the role as MD, but settled with another professional role, in order to have time to devote to family as well. The last pathway, leaders because they have to are composed of daughters who were more or less pushed by emergency to take over (due to illness or death of the founder, or simply because there was no one else that could take the lead) even though this was not really what they had planned or wished for in terms of succession of leadership. When it comes to choosing between a son and a daughter to lead the firm, and when both are seen as capable and willing to take on the future role as leader, it is still the male norm that prevails, meaning that the son tends to be the obvious choice when a successor is appointed in the family owned company.
Organisational implications of ownership transfer

A business transfer usually needs to be accompanied by organisational change, and especially in the governance structures. To be fully implemented a business transfer often requires changes in board structures, composition and processes, in the management team, and in the organisation of ownership, i.e. the way the ownership role is understood and executed.

A business transfer might influence the complexity of the business. The complexity can decrease, stay the same, or increase. If it increases, as is the case when the number of owners increases, new demands are put on the decision making procedures. New governance structures might be needed that match the level of complexity of the organisation (and the owner family). To achieve a good outcome it is essential that the complexity of the corporate governance structure is equal to the complexity of the business. If the complexity of the governance structure exceeds that of the structure of the family business, additional costs are incurred. If it is less complex it leads to potential costs of conflict. Hence, unless there is a match in complexity between governance and business, the result will be a dysfunctional misfit.

For many companies an ownership transfer brings to the fore the need to professionalise the board. Research shows that it is common for owner-managed businesses not to have regular and active board work, while other findings show that an active board, with external (non-owner) members can be immensely helpful in transfer processes. External board members can act as dialogue partners to both senior and junior generations in the emotional processes of exiting and entering roles and developing the new relationships that role transitions imply. The board has a vital role in the implementation of the transfer process when helping senior and junior generations keep within the borders of their post-transfer roles. An active board, preferably with an external chairman, may be especially helpful in situations where the role as MD is transferred from a senior to a junior family member, where both are owners and the senior generation and former MD stays in the company in a new role. These situations often lead to a confusion of roles and to the former MD “sliding back” into the MD role, and here an active board is an arena that can provide outside assistance.

When the number of owners increases due to a transfer of ownership there is also a need for a more structured way of executing ownership. This might imply rather radical changes in the way ownership is organised. This is especially the case with businesses that go from one to several owners. In companies owned by a
single owner formal documents rarely exist, as these companies tend to be managed rather direct and intuitively. With a post-transfer increase in the number of owners, there follows a need for increased formalisation. Even though there are several owners, they need to speak with a united voice to the board and non-owner managers. They need to agree on certain aspects, so as to secure that the business is run in accordance with their values, wishes and rationales for being in business. In other words, they need to agree on an owners’ policy. In addition, they need to have some kind of arena – an owners’ council or family council - where they can discuss issues of concern to them as owners.

The Kinnarp group, a Swedish company now in its 3rd generation, is a excellent example of a company where ownership transfer, growth and hence increased complexity have been accompanied by corresponding development and complexity of the governance structure. Founded in the 1940s, the company today operates in over 15 countries, has a turnover of EUR 320 M and 2,500 employees. The company has a well functioning family council with 36 members (owners, spouses, and children). For many years they also used to have an owners’ council. As a result of a change in complexity - from a one-company structure to a holding structure – the owners’ council was replaced by the board of Kinnarp Holding AB. For the owners of Kinnarp, the journey of growth has implied a gradual development of their roles as owners. From initially being purely operative owners, they have increasingly moved towards being more of governing owners. Even though the MD of the company is still a family member, the development of the governance system has made the company better prepared for coming ownership successions and the possibility of a non-family member as the next MD.

Ownership transfers and the need for education and competence development

In the debate on ownership transfers the senior generation’s difficulty letting go has received repeated attention. And rightfully so, since exiting owner and leadership roles are huge challenges for someone who has spent a large part of his or her life starting and developing a business. A central message of the debate has, hence, been to raise the exiting owner’s awareness of the need to prepare the transfer timely and carefully manner, including his or her own future role within or outside of the business.

While relatively much attention has been paid to the exiting senior generation, less emphasis has been put on the incoming generation.
However, taking over a (family) business means many challenges and requirements, including competence development.

It is essential to underline that competence development is not just about learning how to do business the same way as the previous generation. It is rather about how to develop the business and take it into the future. While not rejecting the past, this implies the need for the incoming generation both to question and challenge the existing, often taken for granted ways of doing business, and to bring novel ways of thinking and acting into the business. The successor will, thereby, gradually, develop his or her own entrepreneurial path in the business. This is essential, both in order for the successor to avoid ending up “in the shadow of” the previous generation, but also for the continued development of the business.

There are several complementary ways for the incoming generation to develop the knowledge and skill necessary to accomplish this task. To start with, with intimate knowledge of the family firm is vital. Firm specific knowledge can be obtained by formal trainee programs within the company, besides summer jobs and dinner-table-discussions. Moreover, having a general education and training in areas relevant to the business is very valuable. In addition to this, working experience from another firm might be helpful in getting an outside perspective. It is also helpful for the successor to have a mentor, with whom he or she can have an ongoing dialogue. The mentor should preferably be someone outside of the family business, with no close relationships to other family members.

Two important areas to emphasise in competence development are leadership and ownership. Regardless of the size and age of the company, the junior generation is likely to take over a company considerably more mature than was the case when the senior generation started/took over. This means that a different kind of leadership tends to be required from the incoming generation. Hence, leadership education and training are vital components of the competence development of the incoming generation.

While there is a huge amount of literature on leadership, much less has been written about ownership. But just as there is a need for education on leadership, there is the need for competence development in the area of ownership. As previously discussed, ownership transfers often imply the need for a more structured and formalised way to execute ownership, especially when the number of owners increases from one to several. There is a greater need for competence development when the owners leave operational roles to start acting as governing owners. When the same person is owner and works in an operational role in the business, the latter role is more
active and comprehensible. When an owner manager is exiting the operational role, he/she is left with the much more unfamiliar role as owner. Since the owner role has been overshadowed, there is often confusion with respect to its content. What does it mean to be solely the owner of a company? What does an owner do? What are the responsibilities of an owner? How does one act in the role as owner?

It is vital to understand what it means to be a competent and active owner. It is important to develop efficient structures and arenas for the owners to discuss and agree on important issues concerning the basic values they want the companies to rest on, as well as guidelines for its long-term development. It is often recommended that the owners create their own forum – an owners’/family council where they discuss issues of concern only to them as owners. Moreover, it is important that the directives of the owners are communicated with a united voice to other governing bodies of the business, such as the board and the management team. Hence, efficient channels of communication between the owners, the board and the management team are vital.
Ownership transfer: Consequences for the business firm

A transfer of ownership does not only impose changes for the individuals involved, and the governance structures. It also leads to various business consequences for the firm. Finance and growth are two areas where consequences could be expected as a result of business transfer. Both of these are discussed below.

Financial perspectives

Research does not convey a unified conclusion regarding the financial consequences of business transfers. Regarding the influence on the level of debt studies suggest that this might differ depending on whether it is a first or a later generation family firm that is transferred.

Decreased debt ratio after transfers

Several studies argue that when family firms progress from one generation to the next, they will become less willing to attract debt financing because of a reduced readiness to take risk. One reason for this is that the orientation and focus towards the family (with the business serving various family needs) becomes more important as family firms develop over generations. Family oriented firms are more reluctant to use “risky” external sources of capital as this could dilute family control. It is also argued that descendants are usually less willing to take risks compared to their parents. As they have a stronger preference for wealth-preservation instead of further wealth-creation, they try to avoid a highly leveraged capital structure. The reluctance of many owners of smaller family firms to use a highly leveraged capital structure is a consequence of the family’s desire to transfer a healthy company over different generations, thereby safeguarding the family’s name and the lifework created by the founder. Thus, the higher risk aversion and the lower willingness to attract debt financing reduce the available financial resources for next-generation family firms. Another explanation for the negative relationship between transfer and level of debt rests on the fact that the number of owners often increases when the business is transferred from the first to the second generation. With the increased number of owners comes an increased risk of conflict among them. For this reason, creditors may be less willing to provide debt to next-generation managed family firms.
Increased debt ratio after transfers

Contrary to the picture above, there are other studies suggesting a positive relationship between succession and level of debt. This might be especially likely in transfers beyond the second generation. In a cousin consortium, in second and later generations, there will be a further dispersion of ownership. At this stage, risk preferences of family owners will be more in line with those of institutional investors and shareholders of public firms, which leads to a higher willingness to take risk and use debt financing. Other authors suggest that next-generation family firms will actually find it easier to attract debt financing compared to their first-generation counterparts and therefore may have higher debt rates. One reason for this might be the long-term relationship between the family business and the bank, which gives the firm the status of a reliable debtor. Moreover, the family firm could have higher incentives to meet current and future obligations because the family name is at stake. Furthermore, the tax burden that may result from a transfer of ownership during the succession can put a serious strain on the family firm’s resources. Successors often need to borrow high amounts of capital to buy the shares of the company, which will require them to draw money out of the business through higher salaries or dividend payments in order to pay off their mortgages and interests. Because of these cash withdrawals, many next-generation family firms will be characterised by a higher demand for debt financing.

Growth implications

Just as with level of debt there are diverging conclusions about the impact of transfers on the growth rate of the business. Here again, research suggests that there might be a difference between transfers from first to second generation on the one hand, and beyond second generation transfers on the other.

Decreased growth rate after transfers

Some studies suggest a negative relation between transfer and growth rate. One reason for this is that an increased level of ownership dispersion in family firms evolving to a sibling partnership can result in more risk adverse behaviour, eventually leading to a reduction of firm growth. However, one study has suggested this effect is reversed in a cousin consortium, where the owners were found to have a higher willingness to take risks and to focus more on growth. Other studies point out the increased number of owners as the reason for the decrease in growth. Here as well, the risk for an increased level of conflict that is supposed to follow the increase in
the number of owners is suggested as a reason for declined growth rate after transition.

There are also studies that suggest that when family firms move from one generation to the next their goals change, which can result in stagnation. First-generation family firms are more business oriented than later generation firms, which are more family oriented, and firms with a business orientation have a higher capacity to grow. Other reasons that have been put forward for the decline in post-transfer growth rate relate to entrepreneurial orientation, which tends to diminish with transfers and give way to family orientation, meaning that stability and inheritance concerns become the business’s principal drivers. This stronger family orientation can constrict the firm’s prosperity since it often results in a lower willingness to grow.

Other studies attribute a stagnation of the business and a lower post-transfer growth rate to the descendants’ lack of competences and skills. Since the alternative of hiring a better and more experienced external manager is often disregarded, these companies face a lack of managerial resources, which limits their ability to attain high performance.

Other authors have attributed the stagnation of growth rate after transfer to the lack of financial resources. The increasing demand for dividends by family members in second or later generations may result in a serious reduction of available financial resources that are needed to support the firm’s development and growth. Furthermore, the sale of the shares to the next generation may be financed by the successors out of the firm’s operating cash flows by means of increased salaries or dividend payments. Such cash withdrawals can restrict the firm’s ability to attain future growth.

Increased growth rate after transfers
Contradictory to this picture, other research shows a positive relationship between transfer and business growth. This might be explained by the focus on strategic renewal that is increased when the new generation family members become actively involved in the business. With each succession in a firm, new family members bring fresh knowledge and insights into the company, which positively affects the incentive to innovate, internationalise and grow. In addition, the need for incoming family members to prove their competence and ability (to be just as good as – if not better than – earlier generations) is an important driving force behind strategic renewal and business development. One further reason for the relatively higher post-transfer growth rate might be that later genera-
tions have a greater capacity to generate profits, since they can reap the benefits of earlier investments in capital assets and R&D made by the founder.
An overall conclusion from the conference is that the need for facilitating private ownership is being increasingly recognised, and that important steps have been taken to facilitate ownership transfers in private businesses in Europe. The most obvious difference seems to be in the area of taxes, with rather big differences between different European countries. Whereas some countries have taken important measures, such as abolishing taxes on inheritance and wealth, there are still countries where little or nothing has been done. During the final session of the conference, the importance of continued and increased tax relief was underlined, and the question of the unfair taxes on private businesses and investment companies was highlighted. Family businesses are more reluctant to use debt financing than investment companies. Most countries have tax regimes that levy high taxes on private equity compared to debt, which is often deductible. This makes the competition between family business and investment companies unfair. This tax regime also favours high lending which exposes companies to financial crisis.

Tax relief was not only advocated as a facilitator of transfers but also as a means to encourage entrepreneurship and make long-term ownership as profitable as other long-term savings. Related to this, the importance of entrepreneurship and private ownership was stressed. Taking the subject to a more overall, global level it was pointed out that private ownership plays an important role in the social and economic development in countries around the world.

However, as the conference highlights, business transfers include far more than taxes. The conference brought up many “soft”, i.e. non-financial/non-legal, issues of utmost relevance to business transfers. In order to further facilitate business transfers it is vital to take measures to also support business owners in managing the transfer process, including many of these soft issues. Because they are less visible and hence more difficult to grasp and manage, they tend to not be dealt with, or to be postponed – often to an extent that violates the whole transfer process.

As the conference showed, transfers are complex and challenging processes where issues of various nature have to be resolved. It is vital that business owners get continued and increased support and that still further measures are taken to facilitate ownership transfers
of private businesses, thereby securing viable, prosperous companies and jobs throughout Europe.

Below some issues in need of further attention, all discussed in the conference, are outlined. This is followed by a discussion of what these issues imply in terms of actions by various stakeholders of business transfers: policy makers/politicians, consultants and advisors, researchers and business owners.

**Issues related to business transfers in need of further attention**

Even though there has been relief in the tax system with respect to business transfer in many European countries (including Sweden), taxes are still an area in need of continued attention. For family businesses a long term perspective in the tax regime is extremely important. Transfer of ownership is a process that is considerably enhanced by a sustainable tax regime. Taxes on transfer of ownership can still be improved in many countries. In those countries that have abolished taxes on gifts, inheritance and wealth, family businesses owners must be assured that this will be the long term conditions.

A further important area in need of further attention is ownership. Ownership is a surprisingly forgotten issue, given the increased attention that has been devoted to ownership transfers in the last decades. Also among business owners themselves there is a lack of knowledge about ownership: what an owner does, what an owner’s responsibilities are, and how and in what arenas ownership should best be executed. A better understanding of this would not only facilitate business transfers, it would also enable more efficient governance processes, which are vital to for business viability and growth.

Another area worthy of increased focus is family relationships. The special characteristics of privately owned (family) firms are largely due to the close, and long-term, connection between the business and the family. Yet, our understanding of how family relations influenced and are influence by business transfers is still rather limited. For instance, we know that role transitions are inevitable parts of business transfers, and that – in privately held businesses - these transitions take place within a web of close relationships. However, we still do not know very much about how the quality of relations enhance or impede role transitions – and how this, in turn, affects business transfers.

*Communication* is a recurring issue in business transfers, and an area where increased understanding would be helpful. Understand-
ing communication is crucial, as it pervades most, if not all, other transfer issues. Communication is a vital component of ownership execution; the quality of relationships rests on communication, and most certainly role transitions and hence transfers would not be possible without communication. But misunderstandings are common in close, family relationships. It should be vital to understand how to enable and promote open communication in order to facilitate business transfers.

Healthy communication patterns are also vital to understanding and manage emotions, another issue related to business transfers worthy of increased focus. Business transfers are emotional as they imply letting go and starting new, and as they challenge established values, traditions and relationships. Yet, we still have but surface knowledge of the role of emotions in business transfers. Better understanding of what emotions that are central in transfer processes and how to identify, communicate and manage them would be an important facilitator of business transfers.

A further issue related to business transfers, where attention and knowledge is still lacking, is gender. Most transfers include the succession of the business from a man to a man. This picture is not different in intra-family successions where cases with daughters taking over are still in minority. Hence, measures need to be taken to better understand why this pattern is still entrenched and what can be done to encourage increased gender equality in transfer processes. In addition, there is a need to promote a culture that advocates the value of women's general contributions to privately owned businesses.

The role of advisors also needs further focus. While there are numerous advisors on legal and financial aspects related to transfers there is still a lack of “process” advisors, i.e. advisors with intimate understanding of the transition process as a whole, including the human face, soft issues of transfers. In order for business owners to understand and manage these issues, they need help to make them visible and concrete. Hence, they need help to structure and uncover the many dimensions and issues of the transfer process. Since the transfer process is very complex, a process advisor needs intimate knowledge of the various issues included. In addition, these advisors must be flexible and sensitive to the specific context of each transfer. There is not one ready-made best solution to a transfer process. Every transfer is unique. The best solution is the solution the present and future owners feel is best for them. A professional process advisor should therefore not be in favour of a certain solution. Instead the advisor has to be flexible and sensitive to the specific context, and to have deep enough knowledge
and experience to be able to help the owners to structure and make manageable all aspects of the transfer process. Included in this is to bring up central questions, and to challenge answers and opinions that seem to be taken for granted by the owners. The goal should be to systematically help the owners work their way through various central issues of the transfer process, and to twist and turn different possible solutions to eventually end up with a solution that the owners feel satisfied with.

**Implications for stakeholder in business transfers**

The various issues in need of further focus carry with them implications for various stakeholders in transfer processes. For policymakers/politicians it is important to ensure continued and increased tax relief in relation to business transfers. For owner-managed and family owned firms, the long term perspective in the tax regime is extremely important. Transfer of ownership is a process that needs sustainability in the tax regime. Taxes on ownership can still be improved in many European countries. In those countries where taxes on gift, inheritance and wealth have been abolished, business owners should be assured that this will be the long term condition. A further important area for policymakers/politicians is that of process advising, where educated process advisors, with intimate knowledge and experience of transfer processes in owner-managed and family owned firms are still lacking. Activities to inform and educate business owners about transfer process issues, and especially to stimulate them to initiate their own transfer process early enough, are still important measures in all European countries.

Advisors and consultants need to realise the requirements of a more process oriented advisory role. Among these are intimate knowledge of the transfer process, the need to be flexible and sensitive to the context, not to advocate or sell “the one best” solution), and to challenge and question the unquestioned opinions of the owners, in order not to settle with the most “obvious”, but perhaps not best solution.

Researchers should focus on furthering the understanding of a number of issues related to business transfers. Among the ones discussed here are ownership, close relationships, communication and emotions. It is also vital that researchers put effort into making their research results appealing to policy makers, advisors and owners, so as to secure the practical relevance of the research.

The business owners themselves, finally, must realise that they are the ones with utmost responsibility for the successful transfer of their business. To postpone the initiation of the process does not
bring any advantages, while much can be gained by starting the discussions at an early stage. Business transfers are complex and they can be challenging and time consuming. But as with all such processes they can also lead to positive development and change – for all parties involved. This might be especially important for the senior generation to realise. Transferring a business is not only about letting go. It is also about entering something new for the exiting generation, a possibility of a new start, whether within our outside of the business. Business owners should also make sure to take advantage of education and training related to ownership and ownership transfer. There is a lot to be gained by making use of existing programs and training opportunities related to business transfers and to use external advisors as facilitators in the transfer process (both as external board members and as hired consultants). Not only does it mean increased competence, it also brings the advantage of having someone not involved in the close family relationships and the unexamined traditions and interaction patterns, as a facilitator of discussions and decision-making in the transfer process.
Conference Papers

The critical pathway between the family business and the next generation
Åsa Björnberg, London School of Economics, UK

Roles Differentiation in Family Firms Succession: The Impact of Private banking and Private Equity
Gianluca Colombo, University of Lugano and Vincenzo Piantedosi BSI Bank, Lugano

Ownership Transfer – Critical Tax Issues
Johan Fall, Confederation of Swedish Enterprise, Anders Ydstedt, Scantech Strategy Advisors

Family firms in the eyes of private equity companies
Darya Granata, University of Pennsylvania

The human side of business transfer: A role transition perspective on succession in family owned firms
Annika Hall, Jönköping International Business School, Sweden

Corporate Governance, family business complexity and succession
Sabine B. Klein, WHU Otto Beisheim School of Management

Succession: The Transitional Power of Governance
Jozef Lievens, Institute of Family Business Belgium, Eubelius Lawyers

Transfer of family businesses and its impact on a firm’s debt and growth rate
Vincent Molly, Eddy Laveren (presenter), Marc Deloof, University of Antwerp, Belgium

The succession scorecard, a tool to assist family business’s trans-generational continuity
Ilse Matser, Windesheim University of Applied Sciences, Utrecht University School of Economics

Five years with no inheritance and gift taxes
Christofer Pihl, Nima Sanandaji

Ownership transfer in family businesses prompted by tax reform
Marcela Ramirez-Pasillas, Tecnológico de Monterrey Mexico, and Leif Melin, Center of Family Enterprise and Ownership, CEFEO at Jönköping International Business School

Gender in the next generation: does it matter?
Annalisa Sentutti, Faculty of Economics, University of Urbino

Transfer of owner- and leadership within the family – The agony of the incumbent
Lars-Göran Sund, Mattias Nordqvist, Divesh Ljungström, Jönköping International Business School

Transfer and succession in Austrian family firms
Irene Mandl, European Foundation for the Improvement of Living and Working Conditions and Peter Voithofer, KMU FORSCHUNG AUSTRIA (Austrian Institute for SME Research)
Conference Program day 1

10.00–11.00 Registration and Coffee

11.00–12.30 Plenary 1

Keynotes
Magnus Larsson, Chairman SME-Committee, Confederation of Swedish Enterprise, Sweden
Welcome and opening of the conference
Leif Melin, Professor, Centre for Family Enterprise and Ownership, Jönköping International Business School, Sweden
Introduction to conference theme
Eric Degerbeck, Head of Press and Media, European Commission Representation in Sweden
Ownership transfer – a European perspective
Moderator
Pernilla Ström, Economist, Board Member and Columnist, Sweden

12.30–13.30 Lunch

13.30–15.00 Parallel sessions 1 – Four tracks

Track A Tax and law issues in ownership transfers: Critical tax issues
In recent years ownership and business taxation have gained growing political interest in several countries. Which policy changes have been made and which may be under way? How will this affect ownership transfer?

Presenters
Krister Andersson, Head Tax Policy Department, Confederation of Swedish Enterprise, Sweden
“Transfer of businesses – progress, status quo or backlash in the European member states”
Thomas von Cölln, Manager Corporate Tax, PricewaterhouseCoopers, Germany
“Transfer of business to next generation – Recent developments in Germany”
Olivier Mellerio, Chairman, MELLERIO dits MELLER, France
“The situation in France for transfer of ownership in family companies”
Dick Patten, President, American Family Institute, US
“The importance of family businesses in the US and the death tax.”
Moderator
Anders Ydstedt, Policy Advisor, Scantech Strategy Advisors, Sweden

Track B Critical issues in transfer processes: Succession as role transitions
Ownership transfer viewed from the perspective of role exits and role entries. The impact of role transition on emotions, identity, founder’s difficulty of letting go of the business, and the co-operations of owners.

Presenters
Christina Baines, Vice chair, Indiska, Sweden
Sofie Gunolf, CEO, Indiska, Sweden
Annika Hall, Ph.D, Centre for Family Enterprise and Ownership, Sweden
“The human side of business transfer: A role transition perspective on succession in owner-managed firms”
Ilse Matser, Professor, Managing Director, Dutch Centre for Family Businesses, Netherlands
“A practical tool to improve the leadership transfer”
Moderator
Pernilla Ström, Economist, Board Member and Columnist, Sweden
Track C Next generation and ownership transfer: Social and psychological space for the next generation
How the next generation can find its way into and in the family business. Emotional ownership: The next generation’s relationship with the family firm.

Presenters
Åsa Björnberg, Ph.D Candidate, London School of Economics, UK
“Emotional ownership: The next generation’s relationship with the family firm”
Annalisa Sentuti, Ph.D, University of Urbino, Italy
“Gender in the next generation: Does it matter? Some Italian empirical evidence on daughters’ pathways in family firms.”
Sofia Wällberg Sköld, Chair, Hagmans, Sweden

Moderator
Ethel Brundin, Professor, Jönköping International Business School, Sweden

Track D Consequences of ownership transfer for the business firm: Financial perspectives
What are the possible consequences for the business firm when other types of owners take over, eg. private equity, industry group, i.e. owners with other perspectives of being in business than business families.

Presenters
Darya Granata, Ph.D Candidate, University of Pennsylvania, US
“Family firms in the eye of private equity companies”
Gianluca Colombo, Professor, Università della Svizzera Italiana, Switzerland
“Ownership fragmentation and family firms performance. The role of private banking.”
Jonas Engwall, Investor, Chairman Svenssons i Lammhult, Sweden
“Reflections from an investor.”

Moderator
Annelie Karlsson, Dr, Executive Director FBN Sweden, Sweden

15.00–15.30 Coffee

15.30–17.00 Plenary 2 – Influence of taxes on ownership transfers

Keynotes
Jöran Hägglund, State Secretary, Ministry of Enterprise, Energy and Communications, Sweden
“The Swedish view on transfers of ownership.”
Paul-Chr. Rieber, President, Confederation of Norwegian Enterprise, Norway
“The discussion on transfer of ownership in Norway.”
Grant Gordon, Director General, Institute for Family Business, UK
“Transfer of ownership: the situation for UK family firms.”
Göran Grosskopf, Professor, Chairman IKEA, Sweden – on video

Keynote panelists
Rune Andersson, Chairman, Mellby Gård AB, Sweden
Krister Andersson, Chairman Tax Policy Group, Business Europe, Sweden

Moderator
Pernilla Ström, Economist, Board Member and Columnist, Sweden

19.00 Dinner
Operaterrassen, entertainment: ABBA music
09.00-10.15 Plenary 3 – Success factors in ownership transfers

An overview of factors – relational, strategic and organisational – that are crucial for successful ownership transfers.

Keynotes

Joseph Astrachan, Professor, Cox Family Enterprise Centre, Kennesaw State University, US
“Success factors in transfers of ownership in family enterprise”

Marcela Ramírez-Pasillas, PhD, Instituto Tecnologico y de Estudios Superiores de Monterray, Mexico
“Transfer of ownership in family businesses and the abolition of taxes”

Hans-Jacob Bonnier, Chairman Bonnier Family Foundation and Vice President Dagens Industri, Sweden
“Bonnier, a long history of transfers of ownership”

Moderator

Pernilla Ström, Economist, Board Member and Columnist, Sweden

10.15–10.45 Coffee

10.45–12.00 Parallel sessions 2 – Four tracks

Track A Tax and law issues in ownership transfers: European experiences from a business law perspective

How different national company forms and other regulatory requirements have an impact on business behavior in relation to business transfers and how the business society creates various contractual solutions in order to accommodate the owners in the transfer process.

Presenters/Panelists

Dr Jürgen Sparr, Lawyer, SKW Schwartz, Germany
Xavier Martorell, Lawyer, Ros Petit, Spain
Hania Goutierre, Lawyer, BGS Law, France
Robert Fenner, Lawyer, Taylor Wessing, UK
Leena Romppainen, Lawyer, Castrén & Snellman, Finland
Dr András Moldován, Lawyer, Moldován & Co, Hungary

Moderator

Gunnar Hjertquist, Lawyer, Gärde Wesslau Advokatbyrå, Sweden

Track B Critical issues in transfer processes: Ownership and governance changes

How governance changes can support ownership transfers. The role of the board in transfer processes. Active ownership – the how’s, what’s and why’s.

Presenters

Sibylla Jacobsson, Chairman, Kinnarps Holding AB, Sweden
Sabine Klein, Professor, Chair for Family Business, WHU Otto Beisheim School of Management, Germany
“Managing the changes of complexity when transferring the family firm: An application of the complexity theorem of corporate governance in family businesses”

Jozef Lievens, Attorney, Eubelius, Belgium
“Succession: the transitional power of governance”

Lars-Göran Sund, Associate Professor, Jönköping International Business School, Sweden
“Transfer of ownership and leadership within the family – The agony of an incumbent”

Moderator
Pernilla Ström, Economist, Board Member and Columnist, Sweden

**Track C** Next generation and ownership transfer: Competence development for new owners/managers
An overview of competencies that enable successful business transfers. The measures new managers/owners have to take to develop these competencies.

**Presenters**
Annelie Karlsson, Dr, Executive Director, FBN Sweden, Sweden
“Owner’s Education”
Sakari Oikarinen, Managing Director, Confidentum Ltd, Finland
Anna Spendrup, Information Officer, Spendrups Bryggeri AB, Sweden
Fredrik Spendrup, Spendrups Bryggeri AB, Sweden
Kristoffer Stenström, Partner, Berte Group, Sweden

Moderator
Ethel Brundin, Professor, Jönköping International Business School, Sweden

**Track D** Consequences of ownership transfer for the business firm: Growth implications
How type of owner (i.e. family, equity) influence business growth after a transfer of ownership. Differences in owners’ perspective on ownership growth.

**Presenters**
Karin Hellerstedt, Research Fellow, Jönköping International Business School, Sweden, and Karl Wennberg, Assistant Professor, Stockholm School of Economics and Imperial College, Sweden
“The effects of firm ownership transitions on economic growth and job creation: preliminary findings from a longitudinal population study”
Eddy Laveren, Professor, University of Antwerpen, Belgium
“Transfer of family businesses and its impact on firm’s debt and growth rate”
Peter Voithofer, Mag., KMU Forschung/Austrian Institute for SME Research, Austria

Moderator
Mattias Nordqvist, Associate Professor, Jönköping International Business School, Sweden

12.15–13.00 Plenary 4

**Keynotes**
Philip Aminoff, President, European Family Business/GEEF, Finland
Ownership transfer: Future needs and actions
Urban Bäckström, Director General, Confederation of Swedish Enterprise, Sweden
Closing remarks

Moderator
Pernilla Ström, Economist, Board Member and Columnist, Sweden

13.00 Closing lunch
For feedback and questions on the report please contact:

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